

**FORM A**

**STATEMENT REGARDING THE ACQUISITION OF CONTROL  
OF A DOMESTIC HEALTH CARRIER AND A DOMESTIC INSURER**

**Premera Blue Cross, States West Life Insurance Company, LifeWise Health Plan of  
Washington, LifeWise Health Plan of Oregon, Inc., Premera Blue Cross Blue Shield of  
Alaska, and MSC Life Insurance Company  
direct or indirect affiliates of  
PREMERA**

**BY**

**[New PREMERA Corp.]**

Filed with the Insurance Commissioner of the State of WASHINGTON, the ALASKA  
Division of Insurance, and the OREGON Insurance Division

Dated: September 17, 2002

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STATEMENT REGARDING THE ACQUISITION OF CONTROL  
OF A DOMESTIC HEALTH CARRIER AND A DOMESTIC INSURER

This statement (this “Statement”) is being filed concurrently with the Insurance Commissioner of the State of Washington (the “Commissioner”), the Attorney General of the State of Washington (the “Attorney General”), the Alaska Division of Insurance and the Oregon Insurance Division in connection with the proposed conversion of PREMERA and certain of its affiliates to for-profit corporations. This Statement follows the form of the Statement Regarding the Acquisition of Control of a Domestic Health Carrier (the “Washington Health Carrier Form A”) prescribed by Section 48.31C.030 of the Revised Code of Washington (“RCW”) and Section 284-18A-910 of the Washington Administrative Code (“WAC”). In addition, this Statement contains all of the information required by (i) the Statement Regarding the Acquisition of Control of a Domestic Insurer prescribed by Section 48.31B.015 of the RCW and Section 284-18-910 of the WAC (the “Washington Insurer Form A”), (ii) the Statement Regarding the Acquisition of Control of a Domestic Health Insurer prescribed by Section 21.22.020 of the Alaska Statutes (“AS”) and Section 3 AAC 21.060 of the Alaska Administrative Code (the “AAC”) (the “Alaska Form A”), and (iii) the Statement Regarding the Acquisition of Control of a Domestic Health Insurer prescribed by Section 732.523 of the Oregon Revised Statutes (“ORS”) and Section 836.027.0100 Exhibit 1 of the Oregon Administrative Rules (the “OAR”) (the “Oregon Form A”). Annex I attached hereto provides a cross reference guide which correlates the information set forth in this Statement with the relevant provisions of the Washington Insurer Form A, the Alaska Form A and the Oregon Form A.

This Statement relates to the acquisition of control of Premera Blue Cross, a Washington non-profit health care service contractor (“PBC”), States West Life Insurance Company, a Washington for-profit insurance company (“SWL”), LifeWise Health Plan of Washington, a Washington non-profit health care service contractor (“LifeWise Washington”), MSC Life Insurance Company, a Washington for-profit insurance company (“MSC”), Premera Blue Cross Blue Shield of Alaska, a to be formed Alaska for-profit insurance company (“PBC-AK”), and LifeWise Health Plan of Oregon, Inc., an Oregon for-profit insurance company (“LifeWise Oregon”, and together with PBC, SWL, LifeWise Washington, MSC and PBC-AK, collectively, the “Acquired Companies”), all of which are, or will be in the case of PBC-AK, direct or indirect affiliates of PREMERA, a Washington non-profit corporation (“PREMERA”), by a to be formed entity, [New PREMERA Corp.], a Washington for-profit corporation (“New PREMERA” or the “Applicant”). In addition, this Statement also requests that the Alaska Division of Insurance grant a certificate of authority to act as an insurer and transact health and health care insurance in Alaska to PBC-AK.

**ITEM 1. INSURER AND METHOD OF ACQUISITION**

*State the name and address of the domestic health carrier to which this application relates and a brief description of how control is to be acquired.*

PREMERA proposes to undertake a corporate reorganization designed to give the PREMERA family of companies access to the equity capital markets. As part of such reorganization, PREMERA is proposing that a fund be created that would be dedicated to health initiatives for the citizens of PBC's Washington and Alaska service areas. PREMERA believes that, through the creations of such a fund, the reorganization could result in substantial amounts dedicated to the public benefit. The PREMERA family of companies together provide health insurance coverage to more than one million enrollees in Washington, Alaska and Oregon.

PBC, and its corporate member PREMERA, are currently organized as Washington non-profit corporations. PBC is licensed as a health care service contractor under Title 48 of the RCW, and as a hospital and medical service corporation in Alaska. Although organized as non-profit corporations under state law, neither PBC nor PREMERA are tax exempt organizations under federal law. The PREMERA family of companies currently includes both non-profit as well as for-profit corporations.

The PREMERA family of companies desires to reorganize in a manner that will allow New PREMERA to access the equity capital markets. Such capital availability would enhance the New PREMERA family of companies' flexibility and responsiveness to customer needs in an increasingly demanding healthcare marketplace. Access to equity capital would also allow the New PREMERA family of companies to make continued investments in new products and technology, support a growing customer base and allow the New PREMERA family of companies to continue to make the experience of its customers regarding their health plan better and more efficient. It would also provide additional resources to support New PREMERA's intent to remain the strong, locally managed independent parent company of the New PREMERA family of companies in a world of ever-increasing consolidations in the healthcare system. After the completion of the reorganization, New PREMERA would have the right to issue and sell newly issued shares of New PREMERA, at its discretion, with proceeds going directly to New PREMERA to fund the ongoing capital needs of the Acquired Companies.

A list of the addresses of the principal executive offices of the Acquired Companies is attached hereto as Exhibit A-1.

The acquisition of control of the Acquired Companies by the Applicant will take place as part of a proposed series of transactions (collectively, the "Conversion Transaction"), pursuant to which PREMERA and PBC will convert from Washington non-profit corporations organized under Titles 24.06 and 24.03 of the RCW, respectively, to Washington for-profit business corporations organized under Title 23B of the RCW. Pursuant to the terms of the Conversion Transaction, the Members of PREMERA (*i.e.*, the current members of its Board of Directors) will first amend the Articles of Incorporation of PREMERA to provide that the [Foundation Shareholder], a Washington non-profit corporation (the "Foundation Shareholder"), will become the sole member of PREMERA. The form of the Articles of Amendment to PREMERA's Articles of Incorporation and the form of the Amended and Restated Articles of Incorporation of PREMERA are attached

hereto as Exhibit A-2. PBC will transfer certain of its assets and liabilities directly related to its operations in Alaska to its newly formed wholly owned subsidiary, PBC-AK, in exchange for 100% of the stock of PBC-AK. PBC will then transfer all of its other assets and liabilities, including the stock of PBC-AK and its health care service contractor registration in the State of Washington, to its other newly formed wholly owned subsidiary, [New Premera Blue Cross Corp.], a Washington for-profit corporation (“New PBC”), in exchange for 100% of the stock of New PBC. After the foregoing transfer, PBC-AK will become a direct wholly owned subsidiary of New PBC. PBC will then perform a statutory liquidation and distribute the New PBC stock to PREMERA. PREMERA will then transfer all its assets and liabilities to its newly formed wholly owned for-profit subsidiary, New PREMERA, in exchange for 100% of the stock of New PREMERA. PREMERA will then perform a statutory liquidation and distribute the New PREMERA stock to the Foundation Shareholder. The foregoing transactions will generally occur simultaneously as a part of a single tax-free reorganization transaction.

After the completion of the Conversion Transaction, the Foundation Shareholder will own 100% of the capital stock of New PREMERA and New PREMERA will directly or indirectly control the Acquired Companies. Charts illustrating the foregoing steps are attached hereto as Exhibit A-3. The transactional steps that have been identified to effect the conversion (the “Plan of Conversion”) are attached hereto as Exhibit A-4. Although the Foundation Shareholder will own 100% of the initial capital stock of New PREMERA pursuant to the Plan of Conversion, it disclaims “control” of New PREMERA and the Acquired Companies within the meaning of Section 48.31B.005(2) and Section 48.31C.010(3) of the RCW, Section 21.22.200(3) of the AS and Section 732.548(2) of the ORS. The Foundation Shareholder’s Disclaimer of Control of New PREMERA and indirectly of the Acquired Companies (the “Disclaimer of Control”) pursuant to (i) Section 284-18-430 and Section 284-18A-410 of the WAC, (ii) Section 3 AAC 21.130 of the AAC, and (iii) Section 836-027-0025 of the OAR is attached hereto as Exhibit A-4.

In connection with the transactions contemplated by the Plan of Conversion, PREMERA, PBC and LifeWise Washington will seek a solicitation permit from the Commissioner in accordance with Section 48.06.040 of the RCW.

The Applicant hereby seeks the approval of the Commissioner for (i) the acquisition of control by the Applicant of PBC, New PBC, SWL, LifeWise Washington and MSC, (ii) the amendment of the Articles of Incorporation of PREMERA by which the Foundation Shareholder would become the sole member of PREMERA, (iii) the conversion of LifeWise Washington to a for-profit corporation as set forth in the Plan of Conversion, (iv) the transfer of the assets and liabilities of PREMERA and PBC to New PREMERA and New PBC, respectively, (v) the dissolution and liquidation of PREMERA and PBC, (vi) the transfer of 100% of the initial stock of New PREMERA to the Foundation Shareholder, (vii) the corporate structure and governance arrangements of New PREMERA, (viii) the corporate structure and governance arrangements of the Foundation Shareholder and the Washington Charitable Organization (as defined below), (ix) the arrangements governing the ownership and use of proceeds from sale of the New PREMERA stock by the

Foundation Shareholder over time, (x) the Disclaimer of Control, (xi) the transactions and agreements set forth the Form D attached as Exhibit G-9 hereto, and (xii) any other transactions set forth in the Plan of Conversion, this Statement and the documents related thereto that are attached as exhibits to this Statement, to the extent such transactions and/or documents require approval by the Commissioner under applicable Washington law or administrative regulation. The Applicant also hereby seeks confirmation from the Commissioner that the transfer of the assets, including, but not limited to, all “insurance contracts” (as defined in Section 284-95-030(6) of the WAC), of PBC to New PBC and of LifeWise Washington to New LifeWise Washington (as defined below) will not be deemed to trigger the requirements of Chapter 284-95 of the WAC.

In addition, the Applicant hereby seeks approval of the Attorney General for (i) the dissolution and distribution of all of the assets of PREMERA, PBC and LifeWise Washington in accordance with the Plan of Conversion, and (ii) any other transactions set forth in the Plan of Conversion, this Statement and the documents related thereto that are attached as exhibits to this Statement, to the extent such transactions and/or documents require approval by the Attorney General under applicable Washington law or administrative regulation.

The Applicant hereby seeks the approval of the Alaska Division of Insurance for (i) the creation of PBC-AK as the wholly owned Alaska for-profit insurance subsidiary of PBC, (ii) the granting of a certificate of authority to act as an insurer and transact “health and health care insurance” (as defined in Section 21.12.050 of the AS) in Alaska to PBC-AK pursuant to Chapter 21.09 of the AS, the application for which is hereby made in accordance with Section 21.09.110 of the AS and is attached hereto as Exhibit A-6, (iii) the transfer of certain of the assets and liabilities directly related to health plans, benefit administration contracts and any other business currently conducted by PBC in Alaska to PBC-AK, where such transfer of assets will include (A) the amendment of individual contracts to permit assignment, if applicable, and the subsequent assignment of such contracts, and (B) group contracts pursuant to their respective terms, (iv) PBC-AK becoming a direct wholly owned subsidiary of New PBC as set forth in the Plan of Conversion, (v) the corporate structure and governance arrangements of the Alaska Charitable Organization (as defined below), (vi) the arrangements governing the ownership and use of proceeds from sale of the New PREMERA stock by the Foundation Shareholder over time, (vii) the Disclaimer of Control, (viii) ) the transactions and agreements set forth the Form D attached as Exhibit G-9 hereto, and (ix) any other transactions set forth in the Plan of Conversion, this Statement and the documents related thereto that are attached as exhibits to this Statement, to the extent such transactions and/or documents require approval by the Alaska Division of Insurance under applicable Alaska law or administrative regulation. In addition, the Applicant hereby seeks confirmation from the Alaska Division of Insurance that given the proposed relationship between New PBC and PBC-AK set forth in the Management Agreement (as defined below) and that PBC-AK will be subject to the Alaska Holding Company Act, New PBC will be deemed to be exempt from the managing general agent licensure and other requirements contained in Chapter 21.27 of the AS.

The Applicant hereby seeks the approval of the Oregon Insurance Division for (i) the acquisition of control by the Applicant of LifeWise Oregon, (ii) the Disclaimer of Control, (iii) ) the transactions and agreements set forth the Form D attached as Exhibit G-9 hereto, and (iv) any other transaction set forth in the Plan of Conversion, this Statement and documents related thereto that are attached as exhibits to this Statement, to the extent such transactions and/or documents require approval by the Oregon Insurance Division under applicable Oregon law or administrative regulation.

## **ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANTS**

*(a) State the name and address of the applicant seeking to acquire control over the health carrier.*

(a) The Applicant, an entity that is to be formed by PREMERA, is New PREMERA, whose principal executive office will be located at 7001 220th St. SW, Mountlake Terrace, Washington 98043.

A copy of the proposed Articles of Incorporation and By-laws of New PREMERA are attached hereto as Exhibits B-1 and B-2, respectively.

*(b) If the applicant is not an individual, state the nature of its business operations for the past five years or for such lesser period as such person and any predecessors thereof shall have been in existence. Briefly describe the business intended to be done by the applicant and the applicant's subsidiaries.*

(b) The Applicant will be a newly formed entity which will be created specifically for the purpose of consummating the Conversion Transaction, and as such, will have no prior business operations, except for the filing of this Statement on its behalf by PREMERA.

New PREMERA is intended to be a for-profit insurance and health care service contractor holding company which will directly or indirectly own New PBC and the other Acquired Companies.

*(c) Furnish a chart or listing clearly presenting the identities of the inter-relationships among the applicant and all affiliates of the applicant. No affiliate need be identified if its total assets are equal to less than one-half of one percent of the total assets of the ultimate controlling person affiliated with the applicant. Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. corporation, trust, partnership) and the state or other jurisdiction of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.*

(c) An organizational chart and a list of the identities of the inter-relationships among the Applicant and its affiliates upon the consummation of the Conversion Transaction is attached hereto as Exhibit B-3. For each entity, the type of organization and jurisdiction of domicile, as well as the percentage of voting securities of each such person which is owned or controlled by the Applicant, or by any other such person, is indicated. As of the date of the filing of this Statement, there are no pending court proceedings to effect either a reorganization or liquidation of the Applicant or any of its affiliates. As described in Items 1 and 5 hereof and pursuant to the Plan of Conversion, each of LifeWise Washington, PBC and PREMERA will voluntarily liquidate in connection with the formation of [New LifeWise Washington Corp.], a to be formed Washington for-profit health care service contractor, New PBC and New PREMERA, respectively.

**ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

*Furnish biographical information for (1) the applicant if (s)he is an individual or (2) all persons who are directors, executive officers or owners of ten percent or more of the voting securities of the applicant if the applicant is not an individual. Unless otherwise directed by the commissioner, the biographical information shall contain the information required by and be submitted in the format of the current NAIC Biographical Affidavit form.*

Attached as Exhibit C-1 hereto are biographical affidavits for the persons who will be the directors and executive officers of New PREMERA in the format currently on file with the Commissioner.

Exhibit C-1 includes: such persons (a) name and business address, (b) present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on, and (c) for the last five years, their material occupations, positions, office or employment, including the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on, and if such occupation, position, office or employment require licensing by or registration with any federal, state, or municipal governmental agency, information of such fact and the current status of such licensing or registration. None of such person so identified has had any license or registration with any federal, state or municipal government agency surrendered, revoked, suspended or been the subject of disciplinary proceedings in connection therewith.

None of the individuals identified in Exhibit C-1 has been convicted in a criminal proceeding (excluding minor traffic violations) within the last 10 years.

#### **ITEM 4. NATURE, SOURCE, AND AMOUNT OF CONSIDERATION**

*(a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.*

(a) Under the terms of the Conversion Transaction, New PREMERA will acquire 100% of the stock of New PBC, and consequently the direct or indirect control of the other Acquired Companies, including PBC-AK, through the liquidation of PBC and the distribution by it of the stock of New PBC to PREMERA and the subsequent transfer of the assets of PREMERA to New PREMERA in exchange for 100% of the stock of New PREMERA.

*(b) Explain the criteria used in determining the nature and amount of such consideration.*

(b) As discussed more fully in Items 5 and 7(a) below, the nature and amount of the consideration contemplated by the Conversion Transaction is predicated on the Foundation Shareholder receiving 100% of the initial stock of New PREMERA, and indirectly 100% of the stock of New PBC and the other Acquired Companies, in order to fund its mission of supporting health initiatives in Washington and Alaska through the Washington Charitable Organization and the Alaska Charitable Organization, respectively, which are described more fully in Item 5 below. As such, the nature and amount of such consideration reflects the residents of Washington and Alaska receiving, through the 100% initial ownership of New PREMERA by the Foundation Shareholder at the time of the consummation of the Conversion Transaction, the benefits of PREMERA's and PBC's conversion to for-profit corporations through the activities of the Washington Charitable Organization and the Alaska Charitable Organization, while New PREMERA will in turn enhance its ability to raise capital for future investments and growth in order for the New PREMERA family of companies to improve service, increase financial stability, and help spread operating costs over a larger membership base for the benefit of all of its customers.

*(c) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity of the lender to remain confidential, he or she must specifically request that the identity be kept confidential.*

(c) Not applicable.

#### **ITEM 5. FUTURE PLANS OF INSURER**

*Describe any plans or proposals which the applicant may have to declare an extraordinary dividend, to liquidate such health carrier, to sell its assets to or merge it with*



*any person or persons or to make any other material change in its business operations or corporate structure or management.*

As set forth in Item 1 above, once PBC acquires 100% of the stock of New PBC, PBC will liquidate and transfer the New PBC stock to New PREMERA and PBC-AK will become a direct wholly owned subsidiary of New PBC. Similarly, once PREMERA acquires 100% of the stock of New PREMERA, PREMERA will dissolve and transfer the New PREMERA stock to the Foundation Shareholder.

The Foundation Shareholder will be a non-profit charitable foundation that is expected to be qualified as tax exempt under Section 501(c)(4) of the Internal Revenue Code of 1986, as amended (the “Code”). As described more fully in Item 7(a) and (c) below, it is intended that the principal activity of the Foundation Shareholder will be to gradually divest of its stock of New PREMERA over a period of time and use the resultant net proceeds to promote the health and welfare of the citizens of Washington and Alaska by distributing such proceeds to the [Washington Charitable Organization ], a Washington non-profit corporation (the “Washington Charitable Organization ”), and [Alaska Charitable Organization], an Alaska non-profit corporation (the “Alaska Charitable Organization ”). It is expected that the Washington Charitable Organization and the Alaska Charitable Organization will be qualified as tax exempt under Section 501(c)(3) of the Code.

A copy of the proposed Articles of Incorporation and By-laws of the Foundation Shareholder are attached hereto as Exhibits E-1 and E-2, respectively. A copy of the proposed Articles of Incorporation and By-laws of the Washington Charitable Organization are attached hereto as Exhibits E-3 and E-4, respectively. A copy of the proposed Articles of Incorporation and By-laws of the Alaska Charitable Organization are attached hereto as Exhibits E-5 and E-6, respectively.

A more complete description of New PREMERA’s current and future business plans is attached as Exhibit E-7 hereto.

In addition, after the consummation of the Conversion Transaction, for administrative convenience and subject to applicable regulatory approvals, New PREMERA may choose to undertake a series of corporate reorganization transactions pursuant to which SWL, LifeWise Washington, LifeWise Oregon, and MSC would become direct wholly owned subsidiaries of New PREMERA and sister subsidiaries of New PBC (collectively, the “Destacking Transaction”). A more detailed description of the proposed Destacking Transaction is attached as Exhibit E-8 hereto.

Other than the foregoing, the Applicant has no plans to declare an extraordinary dividend, to liquidate, to sell its assets to or merge with any person or persons or to make any other material change to its business operations or corporate structure or management.

## **ITEM 6. NONPROFIT HEALTH CARRIER**

*If the health carrier or person controlling the health carrier being acquired is a nonprofit corporation:*

*(a) Describe who the members of the corporation or person controlling the health carrier are and how they become or are selected as members of the corporation and how this may change as a result of the acquisition.*

*(b) Describe who has the authority or power to elect or appoint the board of directors, trustees or other governing body of the health carrier or person controlling the health carrier and how this may change as a result of the acquisition.*

(a)-(b) As more fully described in Item 1 above, the Foundation Shareholder disclaims “control” of New PREMERA and indirectly of the Acquired Companies within the meaning of Section 48.31B.005(2) and Section 48.31C.010(3) of the RCW, Section 21.22.200(3) of the AS and Section 732.548(2) of the ORS.

## **ITEM 7. FOR-PROFIT HEALTH CARRIERS**

*If the health carrier being acquired is a for-profit person:*

*(a) State the number of shares of the health carrier’s voting securities which the applicant, its affiliate and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was determined.*

New PREMERA will acquire one thousand shares of the common stock of New PBC, representing 100% of the issued and outstanding stock of New PBC through the liquidation of PBC and the distribution of the stock of New PBC to PREMERA and the subsequent transfer of the assets of PREMERA to New PREMERA. Through its ownership of New PBC, New PREMERA will likewise acquire indirect control of the voting securities of SWL, MSC, PBC-AK, New LifeWise Washington and LifeWise Oregon.

Although, as described in Item 1 above, the Foundation Shareholder disclaims “control” of New PREMERA and the Acquired Companies within the meaning of Section 48.31B.005(2) and Section 48.31C.010(3) of the RCW, Section 21.22.200(3) of the AS and Section 732.548(2) of the ORS, the Foundation Shareholder will acquire • shares of the common stock of New PREMERA, representing 100% of the issued and outstanding stock of New PREMERA as of the time of the consummation of the Conversion Transaction through the liquidation of PREMERA and the distribution of the New PREMERA stock to the Foundation Shareholder.

The Foundation Shareholder will use proceeds derived from the sale of New PREMERA stock over time to fund the activities of the Washington Charitable Organization and the Alaska Charitable Organization in support of health initiatives in Washington and

Alaska. As such, the nature and amount of such consideration reflects the residents of Washington and Alaska receiving, through the 100% initial ownership of New PREMERA by the Foundation Shareholder at the time of the consummation of the Conversion Transaction, the benefits of PREMERA's and PBC's conversion to for-profit corporations through the activities of the Washington Charitable Organization and the Alaska Charitable Organization, while New PREMERA will in turn enhance its ability to raise equity capital for future investments and growth in order for it to improve service, increase financial stability, and help spread operating costs over a larger membership base for the benefit of all of its customers.

*(b) State the amount of each class of any voting security the health carrier which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.*

The amount of each class of voting securities of the Acquired Companies which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the Applicant, its affiliates identified in Exhibit B-3 or any person identified in Exhibit C-1 is described in Exhibits G-1 and G-2 attached hereto, respectively.

*(c) Give a full description of any contracts, arrangements or understandings with respect to any voting security of the health carrier in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom such contracts, arrangements or understandings have been entered into.*

As part of the Conversion Transaction, the Foundation Shareholder, New PREMERA, PREMERA and certain third parties, as applicable, will enter into the following agreements:

#### Stock Restrictions Agreement

The Foundation Shareholder, PREMERA and New PREMERA will enter into a Stock Restrictions Agreement to provide for the transfer of the New PREMERA stock to the Foundation Shareholder upon the dissolution of PREMERA. Under the terms of the Stock Restrictions Agreement, the proceeds of the sale of the New PREMERA stock by the Foundation Shareholder will only be used for certain permitted purposes such as the promotion of the health and welfare of the residents of the states of Washington and Alaska. The Foundation Shareholder will be prohibited from amending certain fundamental provisions of its charter documents without the approval of New PREMERA. The Foundation Shareholder will be required to allocate and make distributions of proceeds derived from the divestiture of New PREMERA in an amount to be determined to the Washington Charitable Organization and the Alaska Charitable Organization, respectively, or to refrain from making such distributions to one or both such organizations if they cease to exist, fail to maintain their status as tax-exempt entities, amend certain provisions of their

respective charter documents, or operate in a manner inconsistent with their respective charitable purposes. The Foundation Shareholder will also be prohibited from undertaking lobbying activities that may be adverse to the interests of health insurers, health care service contractors and health maintenance organizations. The form of the Stock Restrictions Agreement is attached hereto as Exhibit G-3.

#### Voting Trust and Divestiture Agreement

The Foundation Shareholder, New PREMERA, and [the Trustee], a • corporation (the “Trustee”), will enter into a Voting Trust and Divestiture Agreement (the “Voting Trust Agreement”), to set terms for the exercise of the voting rights of the New PREMERA shares to be owned by the Foundation Shareholder and provide for an orderly divestiture of the New PREMERA stock.

Furthermore, the provisions of the Voting Trust Agreement are necessary for New PREMERA to obtain and maintain a license to use the Blue Cross/Blue Shield trademarks since the Blue Cross Blue Shield Association (“BCBSA”) imposes certain restrictions on the ownership of the stock of its licensees (collectively, the “Ownership Limits”). Pursuant to the Ownership Limits, no institutional investor may own more than 10% of the voting interest in New PREMERA, no non-institutional investor may own more than 5% of the voting interest in New PREMERA, and no person may own more than 20% of New PREMERA’s capital stock regardless of such person’s voting rights. Provisions which put into effect the Ownership Limits are incorporated in the charter documents of New PREMERA.

Under the terms of the Voting Trust Agreement, upon the consummation of the Conversion Transaction, the Foundation Shareholder will deposit all of its New PREMERA stock into a voting trust administered by the Trustee. The Foundation Shareholder will retain the economic interest in the New PREMERA stock, but will delegate the voting rights to the Trustee under certain circumstances. The Trustee generally will be required to vote the New PREMERA stock owned by the Foundation Shareholder as directed by the Board of Directors of New PREMERA. The Foundation Shareholder will be required to divest its New PREMERA stock so as to meet certain maximum applicable ownership amounts at various anniversary dates following the date of an initial public offering of New PREMERA’s stock (the “Divestiture Deadlines”). Under the Divestiture Deadlines, the Foundation Shareholder will be permitted to own no more than 80% of the stock of New PREMERA following the first anniversary of the initial public offering, no more than 50% after the third anniversary, and no more than 5% after the sixth anniversary. The Divestiture Deadlines are generally required by the BCBSA upon the consummation of the Conversion Transaction in order for New PREMERA to retain its BCBSA license.

In addition, if the Foundation Shareholder fails to timely dispose of its New PREMERA stock by the Divestiture Deadlines, New PREMERA will have the right to effect a sale of any shares held in excess of the maximum then applicable ownership limit. Furthermore, the Foundation Shareholder will be prohibited from acquiring additional stock

of New PREMERA, selling shares to a third party in excess of the Ownership Limits, engaging in certain activities, without the approval of the New PREMERA Board of Directors, that may result in a third party seeking to obtain control of New PREMERA, nominating a candidate for election to the New PREMERA Board of Directors, and calling a shareholders' meeting. The form of the Voting Trust Agreement is attached hereto as Exhibit G-4.

#### Registration Rights Agreement

The Foundation Shareholder and New PREMERA will enter into a Registration Rights Agreement (the "Registration Agreement") which sets forth the terms for the registration pursuant to applicable securities laws of the New PREMERA stock held by the Foundation Shareholder in order to effect the timely divestiture of such stock. Under the Registration Agreement, during any twelve-month period, the Foundation Shareholder will be granted the right to demand the registration of up to 25% of its New PREMERA shares or, if approved by New PREMERA, a greater percentage. New PREMERA, however, will not be obligated to effect the foregoing demand registration in certain circumstances such as when a registration was effected upon a prior demand by the Foundation Shareholder within 180 days of the requested demand registration or where the demand involves a value of less than \$30 million. New PREMERA will be permitted to postpone a registration demand by the Foundation Shareholder if New PREMERA is in the process of conducting an underwritten offering or the registration or such demand would adversely affect or disclose a corporate financing or similar transaction contemplated by New PREMERA. New PREMERA will have the right to include any securities to be sold on its own account in any registration statement giving effect to a demand by the Foundation Shareholder, subject to cutbacks under certain circumstances. The Foundation Shareholder will also have the right to include, except in certain circumstances, its New PREMERA shares in a primary offering by New PREMERA, subject to cutbacks under certain circumstances. New PREMERA will have the sole discretion of determining the number of shares to be offered by New PREMERA and the Foundation Shareholder during the New PREMERA initial public offering. The form of the Registration Agreement is attached hereto as Exhibit G-5.

#### Shareholders Protection Rights Agreement

New PREMERA and [the Transfer Agent], a • corporation (the "Transfer Agent"), will enter into a Shareholders Protection Rights Agreement (the "Rights Agreement"). Under the Rights Agreement, New PREMERA shareholders will be given the right to purchase additional shares of New PREMERA stock in certain circumstances such as a takeover attempt by a third party which has not been approved by the Board of Directors of New PREMERA. The form of the Rights Agreement is attached hereto as Exhibit G-6.

#### Excess Share Escrow Agent Agreement

New PREMERA and [the Escrow Agent], a • corporation (the “Escrow Agent”), will enter into an Excess Share Escrow Agent Agreement (the “Escrow Agreement”) in order to provide a mechanism for the deposit of New PREMERA shares held by any shareholder in excess of the Ownership Limits. Pursuant to the Escrow Agreement, shares held by a person in excess of the Ownership Limits (“Excess Shares”) are to be deposited with the Escrow Agent and New PREMERA will be entitled to cause such Excess Shares to be sold, with the proceeds going to the former holder thereof. The form of the Escrow Agreement is attached hereto as Exhibit G-7.

#### Indemnification Agreement

The Foundation Shareholder, New PREMERA, and its affiliates, officers and directors (collectively, the “New PREMERA Group”), and PREMERA, and its affiliates, officers and directors (collectively, the “PREMERA Group”), will enter into an Indemnification Agreement pursuant to which the Foundation Shareholder will indemnify New PREMERA for certain income tax liabilities incurred if the Conversion Transaction is not treated as a tax free reorganization. In addition, the PREMERA Group and the New PREMERA Group will be indemnified by the Foundation Shareholder for certain other claims and liabilities arising from the Conversion Transaction. The form of the Indemnification Agreement is attached hereto as Exhibit G-8.

#### Cost Allocation and Tax Sharing Agreements

New PREMERA and certain of the Acquired Companies will enter into certain cost allocation and tax sharing agreements after the consummation of the Conversion Transaction. Such agreements are described in the Form D to be filed concurrently with this Statement, which is attached hereto as Exhibit G-9.

#### Stock Ownership Plans

New PREMERA may adopt one or more stock ownership plans as compensation for its directors, officers and/or employees. The terms of such plans shall be consistent with the provisions attached hereto as Exhibit G-10.

#### Premera Blue Cross Blue Shield of Alaska Transfer of Assets Agreement

PBC and PBC-AK will enter into the Premera Blue Cross Blue Shield of Alaska Transfer of Assets Agreement (the “Alaska Transfer Agreement”) under which PBC will transfer certain of the assets and liabilities directly related to health plans, benefit administration contacts and any other business currently conducted by PBC in Alaska to PBC-AK in exchange for one thousand shares of PBC-AK common stock representing 100% of the issued and outstanding shares of PBC-AK common stock. The form of the Alaska Transfer Agreement is attached hereto as Exhibit G-11.

#### Premera Blue Cross Transfer of Assets Agreement

After giving effect to the Alaska Transfer Agreement, PBC and New PBC will enter into the PBC Transfer of Assets Agreement (the “PBC Transfer Agreement”) under which PBC will transfer all of its then remaining assets and liabilities, including the stock of PBC-AK, to New PBC in exchange for one thousand shares of New PBC common stock, representing 100% of the issued and outstanding shares of such stock. Following such transfer, PBC-AK will become a direct wholly owned subsidiary of PBC and PBC will agree to immediately perform a statutory liquidation and distribute its then only remaining assets, the stock of New PBC, to PREMERA. The form of the PBC Transfer Agreement is attached hereto as Exhibit G-12.

#### PREMERA Transfer of Assets Agreement

PREMERA and New PREMERA will enter into the PREMERA Transfer of Assets Agreement (the “PREMERA Transfer Agreement”) under which PREMERA will transfer all of its assets and liabilities to New PREMERA in exchange for • shares of New PREMERA common stock representing 100% of the issued and outstanding shares of New PREMERA common stock. Following the transfer of the assets and liabilities to New PREMERA, PREMERA will agree to immediately perform a statutory liquidation and distribute its then only remaining asset, the New PREMERA stock, to the Foundation Shareholder. The form of the PREMERA Transfer Agreement is attached hereto as Exhibit G-13.

#### PBC Plan of Reorganization and Plan of Distribution

PBC will adopt and its sole member, PREMERA, will approve a Plan of Reorganization and Plan of Distribution pursuant to which PBC will dissolve and distribute 100% of its assets, including all the stock of New PBC, to PREMERA. The form of the PBC Plan of Reorganization is attached hereto as Exhibit G-14. The form of the PBC Plan of Distribution is attached hereto as Exhibit G-15.

#### New PBC Articles and By-laws

The Articles of Incorporation and By-laws of New PBC are attached hereto as Exhibit G-16 and Exhibit G-17, respectively.

#### PREMERA Plan of Reorganization and Plan of Distribution

PREMERA will adopt and its sole member, the Foundation Shareholder, will approve a Plan of Reorganization and Plan of Distribution pursuant to which PREMERA will dissolve and distribute 100% of its assets, including all the stock of New PREMERA to the Foundation Shareholder. The form of the PREMERA Plan of Reorganization is attached hereto as Exhibit G-18. The form of the PREMERA Plan of Distribution is attached hereto as Exhibit G-19.

### BCBSA License Agreement Addendum

New PREMERA and the BCBSA will enter into the BCBSA License Agreement Addendum (the “BCBSA Agreement”) pursuant to which the BCBSA will grant New PREMERA certain licenses to use the “BLUE CROSS” and “BLUE SHIELD” trademarks and certain other associated intellectual property in the current PBC service area for so long as certain restrictions on the ownership of New PREMERA’s capital stock are maintained in accordance with the provisions of New PREMERA’s Articles of Incorporation and By-laws, the Voting Trust Agreement and the Registration Rights Agreement. The form of the BCBSA agreement is attached hereto as Exhibit G-20.

### Intellectual Property License Agreements

New PREMERA and the Foundation Shareholder will enter into Intellectual Property License Agreements (each, a “License Agreement”) pursuant to which New PREMERA will grant the Foundation Shareholder, the Washington Charitable Organization and the Alaska Charitable Organization, respectively, certain licenses to use the “PREMERA” trademarks and certain other associated intellectual property for certain limited purposes in connection with the Foundation Shareholder’s, the Washington Charitable Organization’s and the Alaska Charitable Organization’s charitable activities. The form of the License Agreement is attached hereto as Exhibit G-21.

*(d) Describe any purchases of any voting securities of the health carrier by the applicant, its affiliates or any person listed in Item 3 during the twelve calendar months preceding the filing of this statement. Include in such description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any such shares so purchased are hypothecated.*

To the Applicant’s knowledge, except as set forth herein and as described in Item 8, none of the Applicant, its affiliates, nor any person listed in Item 3, has purchased any voting securities of the Acquired Companies during the past 12 months.

*(e) Describe any recommendations to purchase any voting security of the health carrier made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the twelve calendar months preceding the filing of this statement.*

To the Applicant’s knowledge, none of the Applicant, its affiliates identified in Exhibit B-3, any person identified in Exhibit C-1, nor any other person based upon interviews or at the suggestion of the Applicant, its affiliates or persons identified in Exhibit C-1 has made any recommendation to purchase any voting securities of the Acquired Companies during the past 12 months.

*(f) Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the health carrier for tender*



*and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.*

The Applicant has no agreements, contracts or understandings with any broker dealer as to any solicitation of voting securities of the Acquired Companies.

## **ITEM 8. FINANCIAL STATEMENTS AND EXHIBITS**

*(a) Financial statements and exhibits shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.*

(a) The following statements and exhibits are attached to this statement:

|              |   |
|--------------|---|
| Annex I:     | Form A Cross Reference Guide  |
| Exhibit A-1: | List of the Addresses of the Principal Executive Offices of the Acquired Companies                                  |
| Exhibit A-2  | Form of Articles of Amendment and the form of the Amended and Restated Articles of Incorporation of PREMERA         |
| Exhibit A-3: | Chart Illustrating the Steps of Conversion Transaction  |
| Exhibit A-4: | Plan of Conversion  |
| Exhibit A-5  | Disclaimer of Control of New PREMERA and the Acquired Companies   |
| Exhibit A-6: | Application for Certificate of Authority for PBC-AK in Alaska   |
| Exhibit B-1: | Articles of Incorporation of New PREMERA  |
| Exhibit B-2: | By-laws of New PREMERA  |
| Exhibit B-3: | Organizational Chart and a List of the Identities of the Inter-Relationships Among the Applicant and its Affiliates |
| Exhibit C-1: | NAIC Biographical Affidavits of New PREMERA Directors and Executive Officers  |
| Exhibit E-1: | Articles of Incorporation of the Foundation Shareholder   |
| Exhibit E-2: | By-laws of the Foundation Shareholder   |
| Exhibit E-3: | Articles of Incorporation of the Washington Charitable Organization   |
| Exhibit E-4: | By-laws of the Washington Charitable Organization   |
| Exhibit E-5: | Articles of Incorporation of the Alaska Charitable Organization   |
| Exhibit E-6: | By-laws of the Alaska Charitable Organization   |
| Exhibit E-7: | Business Plan*  |

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\* This Exhibit is submitted confidentially pursuant to (i) Section 42.17.31917 of the RCW and Section 284-18A-440 of the WAC, (ii) Section 21.22.120 of the AS, (iii) Section 192.501 of ORS, and (iv) the Attorney General Letter Agreement  
(continued ...)

- Exhibit E-8: Description of Destacking Transaction
- Exhibit G-1: Description of the Amount of Voting Securities of the Acquired Companies which the Applicant and its Affiliates Beneficially Own
- Exhibit G-2: Description of the Amount of Voting Securities of the Acquired Companies which PREMERA Directors and Executive Officers Beneficially Own
- Exhibit G-3: Stock Restrictions Agreement
- Exhibit G-4: Voting Trust and Divestiture Agreement
- Exhibit G-5: Registration Rights Agreement
- Exhibit G-6: Shareholders Protection Rights Agreement
- Exhibit G-7: Excess Share Escrow Agent Agreement
- Exhibit G-8: Indemnification Agreement
- Exhibit G-9: Form D
- Exhibit G-10: Description of Stock Ownership Plans
- Exhibit G-11: PBC-AK Transfer of Assets Agreement
- Exhibit G-12: PBC Transfer of Assets Agreement
- Exhibit G-13: PREMERA Transfer of Assets Agreement
- Exhibit G-14: PBC Plan of Reorganization
- Exhibit G-15: PBC Plan of Distribution
- Exhibit G-16: Articles of Incorporation of New PBC
- Exhibit G-17: By-laws of New PBC
- Exhibit G-18: PREMERA Plan of Reorganization
- Exhibit G-19: PREMERA Plan of Distribution
- Exhibit G-20: BCBSA License Agreement Addendum
- Exhibit G-21: Intellectual Property License Agreement
- Exhibit H-1: Financial Statements of Applicant and its Affiliates
- Exhibit H-2: Management Agreement

*(b) The financial statements shall include the annual financial statements of the persons identified in Item 2(c) for the preceding five fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year, if such information is available. Such statements may be prepared on either an individual basis, or, unless the commissioner otherwise requires, on a consolidated basis if such consolidated statements are prepared in the usual course of business.*

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(... continued)

because the Business Plan contains information that is confidential and proprietary in nature, and, in certain instances, constitutes trade secrets, since it sets forth the current and future business operations and plans of New PREMERA and its affiliates, and should therefore not be disclosed to the public. In the event that the Washington Insurance Department, the Alaska Division of Insurance, the Washington Divisions of Insurance and/or the Attorney General determine(s) that the information contained in this Exhibit may be released to the public, the Applicant respectfully requests that it be provided with sufficient prior written notice of such a decision, so it that may take appropriate legal action to preserve the confidentiality of such information.

*The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. If the applicant is a health carrier or an insurer, the annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements represent fairly the financial position of the applicant and the results of its operations for the years then ended, in conformity with statutory accounting principles as set forth in Titles 48 RCW and 284 WAC.*

(b) Financial Statements for the entities listed in Item 2(c) above are attached hereto as Exhibit H-1.

*(c) File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the health carrier and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory or management contracts concerning the health carrier, annual reports to the stockholders of the health carrier and the applicant for the last two fiscal years, and any additional documents or papers required by Form A or WAC 284-18A-300 or 284-18A-320.*

(c) As more fully described in Item 7(c) and Exhibit G-10, contemporaneous with the consummation of the Conversion Transaction, New PREMERA may adopt one or more stock ownership plans as compensation for its directors, officers and/or employees. In addition, as part of the Conversion Transaction, PBC-AK and New PBC will enter into a Management Agreement (the "Management Agreement") whereby New PBC will provide management and other administrative services on behalf of PBC-AK and PBC-AK will compensate New PBC for such services on a basis other than the amount of premiums written. The form of the Management Agreement is attached hereto as Exhibit H-2. PREMERA and PBC are also parties to certain employment agreements and employee benefit plans and programs which will be transferred to New PREMERA and New PBC pursuant to the PREMERA Transfer Agreement and the PBC Transfer Agreement, respectively.

Other than as set forth herein, there are no requests or invitations for, tender of, exchange offers for, and agreements to acquire or exchange any voting securities of the health carrier and of additional soliciting material relating thereto, any proposed employment, consultation advisory or management contracts concerning the health carrier, annual reports to the stockholders of the health carrier and the Applicant for the last two fiscal years or additional documents or papers required by Form A or Sections 284-18A-300 or 284-18A-320 of the WAC.

**ITEM 9. SIGNATURE AND CERTIFICATION**

Pursuant to the requirements of (i) Section 4, Chapter 462, Laws of 1993 of the State of Washington, and (ii) Section 3, Chapter 179, Laws of 2001 of the State of Washington, [New PREMERA Corp.] has caused this application to be duly signed on its behalf in Mountlake Terrace, Washington on the 17th day of September, 2002.

(SEAL)

PREMERA, on behalf of the Applicant, [New PREMERA Corp.]

By: \_\_\_\_\_  
Name: John P. Domeika  
Title: Senior Vice President & General Counsel

Attest:

\_\_\_\_\_  
Name: Katharine M. Cramer  
Title: Assistant General Counsel

**CERTIFICATION**

The undersigned deposes and says that he has duly executed the attached application dated September 17, 2002 for and on behalf of PREMERA, for and on behalf of [New PREMERA Corp.]; that he is the Senior Vice President & General Counsel of PREMERA and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

By: \_\_\_\_\_  
Name: John P. Domeika

Under AS 21.22.010, [New PREMERA Corp.] has caused this application to be duly signed on its behalf in the City or Community of Mountlake Terrace, Washington on the 17th day of September, 2002.

(SEAL)

PREMERA, on behalf of the Applicant, [New PREMERA Corp.]

By: \_\_\_\_\_  
Name: John P. Domeika  
Title: Senior Vice President & General Counsel

Attest:

\_\_\_\_\_  
Name: Katharine M. Cramer  
Title: Assistant General Counsel

#### CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated September 17, 2002 for and on behalf of PREMERA, for and on behalf of [New PREMERA Corp.]; that he is the Senior Vice President & General Counsel of PREMERA and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts stated in it are true to the best of his knowledge, information and belief.

By: \_\_\_\_\_  
Name: John P. Domeika

Pursuant to the requirements of ORS 732.517 to 732.592, [New PREMERA Corp.] has caused this application to be duly signed on its behalf in the City of Mountlake Terrace, Washington on the 17th day of September, 2002.

(SEAL)

PREMERA, on behalf of the Applicant, [New PREMERA Corp.]

By: \_\_\_\_\_  
Name: John P. Domeika  
Title: Senior Vice President & General Counsel

Attest:

\_\_\_\_\_  
Name: Katharine M. Cramer  
Title: Assistant General Counsel

#### CERTIFICATION

The undersigned deposes and says that the undersigned deponent has duly executed the attached application dated September 17, 2002 for and on behalf of PREMERA, for and on behalf of [New PREMERA Corp.]; that the deponent is the Senior Vice President & General Counsel of PREMERA and that the deponent is authorized to execute and file such instrument. Deponent further says that the deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

By: \_\_\_\_\_  
Name: John P. Domeika